Social proactiveness and innovation: The impact of stakeholder salience on corporate entrepreneurship

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ABSTRACT

Innovation has become a major strategic component of corporate entrepreneurship. Managerial decisions regarding innovative activity are complex and can be affected by numerous factors. In this study, we draw upon the tenets of stakeholder theory to examine how stakeholder salience (consisting of stockholders, employees, and customers) is integral to the decisions made by senior level managers related to social proactiveness within a corporate innovation strategy. In doing so, we introduce a social proactiveness scale that examines a manager's priorities toward internal and external social issues. Examining 200 senior-level managers, we find that companies which place salience on employees are more proactive on both internal and external social issues, while those placing salience on stockholders are more proactive on internal social issues but not external social issues. Surprisingly, placing salience on customers is associated with neither internal nor external social issues. Finally, the data suggests that proactiveness related to internal social issues leads to greater internal innovation with external innovation mediating the relationship, whereas proactiveness on external social issues is not related to innovation.

Introduction

Conditions in the global business environment demand that established firms pursue innovation and relevancy in their markets if they are to stay in business (Morris, Kuratko, & Covin, 2011). The strategic approach of supporting innovation and revitalization within forward-thinking companies is better known as corporate entrepreneurship or corporate innovation and has become a prime area of research in the strategic management and entrepreneurship fields. More specifically, corporate entrepreneurship refers to the pursuit of innovation by established organizations and is a vital component in facilitating the exploitation of existing company resources or exploration of new opportunities (Kuratko & Audretsch, 2013). Corporate entrepreneurship has been initiated in established organizations for a host of purposes, including profitability (Vozikis, Bruton, Prasad,

& Merikas, 1999; Zahra, 1993), strategic renewal (Guth & Ginsberg, 1990), innovativeness (Baden-Fuller, 1995), gaining knowledge to develop future revenue streams (McGrath, Venkataraman, & MacMillan, 1994), international success (Birkinshaw, 1997), growth (Zahra, Kuratko, & Jennings, 1999), and the effective configuration of resources as the pathway to developing competitive advantages (Borch, Huse, & Senneseth, 1999; Covin & Miles, 1999; Covin, Slevin, & Heeley, 2000; Kuratko, Covin, & Garrett, 2009). Regardless of the reason that firms decide to engage in corporate entrepreneurship, it has become a major strategy (Morris et al., 2011; Narayanan, Yang, & Zahra, 2009). For the purposes of this paper, we have chosen to focus on innovation, a subject that drives many of the other aforementioned purposes. As more companies seek to embrace corporate entrepreneurship as the framework for the firm's future innovative goals and activities (Ireland, Covin & Kuratko, 2009; Morris et al., 2011), a greater understanding of phenomena that affect and potentially foster a strategy for corporate innovation would serve academics and prac-

titioners well.

While most people think of changing consumer tastes and evolving technologies as drivers of new business development, problems and challenges can also serve as the impetus for innovation (Zahra, Filatochev, & Wright, 2009). Addressing problems and challenges in unique ways can differentiate companies from their competitors. One complex set of challenges that companies often face is social issues (Hemingway, 2005; Ozmoyer, Calantone, & DiBonetto, 1997). We contend that companies pursuing more proactive approaches to social issues often discover opportunities for innovation (Shepherd & Patzelt, 2011). Consistent with the findings of Boesso and Kumar (2016), we expect that a definite stance toward these issues will impact innovation pursued by its managers. Therefore, the purpose of this research is to develop and test a model in which proactiveness towards social issues mediates the relationships between the salience placed upon certain stakeholder groups and innovation. See Figure 1. In order to accomplish this purpose, we first provide a discussion of stakeholder theory--a dominant strategic approach in the social issues literature--and its application to corporate innovation. We then develop the hypotheses which, taken together, constitute our model and detail the relationships among stakeholder salience, social proactiveness, and innovation. We then explain the study's results and conclude with a discussion of the theoretical and practical implications of our findings. A major contribution of this paper is the development of a scale based on the seminal corporate social responsibility (CSR) work of Clarkson (1991). Clarkson developed categories of socially responsible activity, which he used to score company social performance via the examination of archival data. Our scale, however, allows managers inside the firms to score what they believe their companies' posture towards these possible activities are. The modified Social Proactiveness Scale offers researchers an instrument to include in future surveys of company postures toward CSR. More scales are needed to better assess the role CSR plays in a variety of business activity (Alvaredo-Herrera, Bigne, Aldas-Manzano, & Curras-Perez, 2017). The focus of entrepreneurial activity in this paper is innovation, for which we also developed a scale in order to study the internal and external sources of the behavior.

Literature Review

Stakeholder Theory

Freeman (1984) defines a stakeholders group as any group that affects or is affected by the decisions managers make in achieving their goals. Thus, stakeholder management is the manner in which an organization manages and relates to its diverse group of stakeholders. A key challenge in stakeholder research is determining how much priority managers should give to different groups. Clarkson (1988) recognized that different stakeholder groups occupy different levels of importance to different firms. Primary stakeholders are those "without whose continuing participation the corporation cannot survive" and secondary stakeholders are those "who influence or affect, or are influenced or affected by, the corporation" (Clarkson, 1988: 259). In the relevant literature, this is often referred to as stakeholder salience; i.e., how salient is a specific group to the organization's decisions? It is unlikely that an organization would give each stakeholder equal attention, so researchers have sought methodological approaches to capture stakeholder salience.

Increased understanding of the roles that stakeholders play in opportunity development provides the potential for enhancing innovation efforts. Specifically, by maintaining relationships with multiple stakeholders, managers are more aware of the needs of their constituencies, whereas those organizations that take a more reactive stance are less likely to be aware of these entrepreneurial opportunities. Introduced by Carroll (1979) and modified by Wartick and Cochran (1985), the most commonly employed Corporate Social Responsibility (CSR) categorization is reactive, defensive, accommodative, and proactive. Reactive means that, with regard to social issues, less is done than is required; defensive means that the least required actions are done; accommodative means that all that is required is done; and proactive means that doing more than is required is accomplished. Companies using a reactive posture deny responsibility on social issues; defensive companies admit responsibility but fight it; accommodative companies accept responsibilities on issues; and proactive companies anticipate responsibility and search for ways to be leaders on social issues.

Clarkson (1988; 1991) employed this RDAP (Reactive, Defensive, Accommodative, and Proactive) typology to study firm-level approaches to social issues and stakeholders. He identified four principal areas for analysis (human resources, environmental issues, community relations, and ethics) and made use of historical information obtained in a case study approach to rate the companies in the study. While positively received in the social issues field, the methodology has limitations. For instance, Clarkson did not contact the companies but rather assessed them by reading archival accounts about them. Since we focused upon social proactiveness, it was chosen as the construct label in our survey. This avoids Clarkson's somewhat ambiguous classification scheme as well as captures the desired

phenomenon; i.e., social proactiveness, whose definition is consistent with our theory. Also, we believe that for our purposes a self-report survey instrument is the better way to go. First, we were more interested in the behavior of the organizations rather than in the labels they could apply to themselves or be applied by others. Second, we believe that a well-designed survey would be more finely grained and, therefore, more descriptive and accurate. Third, we also believe that this approach would allow respondents to more accurately assess and rate their organizations on the specific dimensions germane to our research. Fourth, and finally, the survey methodology allows for a large sample to be gathered concurrently and, therefore, faster. Hence, we developed what we called a *Social Proactiveness Scale*, based on Clarkson's original typology. More details of the scale development process are presented in the Method section.

In this study, social proactiveness is utilized to conceptualize and measure the response companies have on ethical issues. Jones (1995), Waddock and Graves (1997), and Agle, Mitchell, and Sonnenfeld (1999) state that corporate social performance is directly affected by a company's relationship with its stakeholders. Kuratko, Hornsby, and Goldsby (2007) found that, in the context of entrepreneurial activity, the firm's primary stakeholders are its stockholders/investors, employees, and customers. Therefore, these are the stakeholders we address in our study. In the following sections, we develop and test theory as to the degree that stakeholder salience affects social proactiveness, which in turn influences innovation.

Stockholder Salience and Social Proactiveness

In our study, we first examine the relationship between the salience executives place on their stockholders and their level of social proactiveness. Given that the literature on CSP and firm financial performance is mixed at best, we believe that investigation of other organizationally valued outcomes associated with social proactiveness may provide new insights into the phenomenon. As a result of the scale development process that was based upon Clarkson's RDAP typology, we identified two types of social proactiveness: (1) the internal issues of human resource (HR) ethics and (2) the external issues of community/environmental ethics.

We first examine the relationship between stockholder salience and human resource ethics. Regarding companies that place salience on stockholders' interests, we expect companies to institute policies that would enhance stock prices, company value and, therefore, shareholder wealth. Prior research has shown that proactive human resource initiatives are positively related to the firm's stock price (Wright, Ferris, Hiller, & Kroll, 1995). The mechanism for

such a relationship may be that fair treatment and collaboration enhance corporate reputation, and that a favorable corporate reputation in turn has a positive influence on stock prices (Friedman, 2009). Additionally, high performance human resource systems are often considered a source of competitive advantage for a company (Becker & Huselid, 1998, 1999). Based upon these findings, we expect that there is a positive relationship between the salience placed upon stockholders and the extent a firm is proactive on internal social issues. That is, if a company is concerned about its stockholders and its responsibility to increase their wealth, then it will attempt to enhance its corporate reputation. One way to do this is to be proactive with respect to HR policies and programs. We therefore propose:

Hypothesis 1A. Stockholder salience is positively associated with proactive HR Ethics.

Research also suggests that proactive environmental initiatives have a positive effect on stock price (Darnall, Henriques, & Sadorsky, 2010; Hamilton, 1995; Klassen & McLaughlin, 1996; Konar & Cohen, 1997; Muoghalu, Robison, & Glascock, 1990). Socially proactive firms are also perceived by the market as being less risky, whereas "socially irresponsible firms may face uncertain future claims" (El Ghoul, Guedhami, Kwok, & Mishra, 2011: 8). More environmentally proactive firms face substantially less litigation than irresponsible ones, and are therefore perceived as safer choices by investors (Frederick, 1995). With regard to smaller firms, Becherer and Helms (2014) found that companies that achieve their green goals have better financial and business outcomes in earnings, marketing share, sales, and cash flow. Consequently, we would expect that companies whose stockholders are highly salient will be concerned about what is important to them; particularly share prices. That is, similar to proactive HR ethics, proactive environmental initiatives should enhance corporate reputation and, in turn, share price.

Therefore, by similar reasoning to that above, we propose:

Hypothesis 1B. Stockholder salience is positively associated with proactive Community/ Environmental Ethics.

Employee Salience and Social Proactiveness

In one of the few studies that explores the relationship between employee salience and ethics, Backhaus, Stone, and Heiner (2002) found that companies can attract top talent if they signal high corporate social performance. Apparently potential employees view firms with high corporate social performance as an employer of choice, and there is a

positive relationship between corporate social responsibility performance signaling and the ability to attract top talent to the firm. Once recruited, employees are more likely to be retained and perform better if they perceive that the company takes their interests in mind when adopting HR policies and practices (Nishii & Mayer, 2009), as well as being more ethical in their decision making (Tang & Liu, 2012). For example, Batt (2002) found call center representatives quit less and make more sales when the company emphasizes employee participation in decision making and the development of work skills. In fact, some employees will work for less pay for a company they respect than one they find irresponsible (Branco & Rodrigues, 2006). At the same time, organizations who place high salience on their employees want to be recognized as desirable places to work (Brammer & Pavelin, 2006; Melo & Garrido-Morgado, 2012). Hence, they will be proactive with their HR ethics policies and practices. Consequently, we expect that companies that place salience on employees are more likely to be proactive on internal human resource issues. Therefore, we propose:

Hypothesis 1C. Employee salience is positively associated with proactive HR Ethics.

Corporate image is an issue that is normally examined from an external perspective. Indeed, as stated earlier, companies may take part in volunteer activities to garner goodwill in the community. Sen and Cowley (2013), for example, found that proximity to stakeholders, such as those in the local community, influences managerial behavior. However, external image also has internal consequences (Hatch & Schultz, 1997). Herrbach and Mignonac (2004) found that perceived external prestige had positive relationships with job satisfaction, affective organizational commitment, and affective well-being at work. Since employees devote significant individual resources in pursuing their careers, their sense of identity becomes intertwined with that of their company. Furthermore, proactive community/environmental ethics signal that the organization is a desirable entity to be a member of and to deal with. Alt, Diez-de-Castro, and Lloréns-Montes (2014) discovered that a shared vision between employees and management on environmental issues translates into better employee stakeholder integration into a company's operations. Also, when employees recognize supportive behaviors from their managers, they are more likely to take an interest in environmental initiatives (Ramus, 2001). Consequently, we expect that companies that place salience on employees are more likely to be proactive on external social issues. We therefore propose:

Hypothesis 1D. Employee salience is positively associated

with proactive Community/ Environmental Ethics.

Customer Salience and Social Proactiveness

With regard to the relationship between placing priority on customers and the degree of proactiveness on HR Ethics, one can imagine a company making a decision on whether to primarily support the interests of its customers or its employees. One could also imagine that some companies who place the customer first send a signal to its employees that they are not a significant concern of management. Furthermore, placing high priority on the customer may divert the managers' attention from the needs of their employees. However, this ultimatum need not happen, as each initiative can support the other. Companies with this perspective operate under the belief that if customers are salient, they must ensure they are treating their employees well in order to provide exceptional service (Batt, 2002). For example, the Gallup Organization studied over one million employees over a 25-year period and discovered that companies that build trust through engagement and individualized attention through the ranks generate more customer satisfaction and productivity (Clifton, 2011). Since placing importance on customers necessitates ethical human resource practices, we expect that companies that place salience on customers are more likely to be proactive on internal human resource issues. Therefore, we propose:

Hypothesis 1E. Customer salience is positively associated with proactive HR Ethics.

With regard to the relationship between customer salience and Community/ Environmental Ethics, one must consider the fact that customers are members of the community and operate within the company's external environment. If a company places importance on the well-being of its customers, it would make sense that it would be a good steward of issues related to their community and external environment (Schlange, 2009). By visibly supporting community causes, firms display the values they deem important and, in the process, create identifiable personalities (Agarwal, Kumar, Swati, & Tyagi, 2010). With regard to family businesses, Peake, Davis, and Cox (2015) found that entrepreneurs followed an enlightened self-interest approach toward engaging in small business responsibility; i.e., what is good for the community and environment is good for the company. Their findings build on Wilson's (1980) work that small businesses are socially responsible in order to increase profit, improve reputation, and retain customers and employees. As a result of these insights regarding community involvement, environmental awareness, and customer

loyalty, we expect that companies that place salience on customers are more likely to be proactive on external social issues. We therefore propose:

Hypothesis 1F. Customer salience is positively associated with proactive Community/ Environmental Ethics.

Social Proactiveness and Innovation

Many factors encourage innovation, but perhaps the most important facilitator is proactiveness. Proactiveness has come into popular usage as a term to describe an action-based orientation. At the company level, Miller (1987) associates proactiveness with assertiveness, which he in turn views as a dimension of strategy-making. He argues that entrepreneurial firms act on rather than react to their environments. Proactiveness is also concerned with implementation, with taking responsibility, and doing whatever is necessary to bring an innovative concept to fruition. A proactive orientation usually involves considerable perseverance, adaptability, and a willingness to assume responsibility for failure. In his study of the strategic orientation of business enterprises, Venkatraman (1989) uses the term "proactiveness" to refer to a continuous search for market opportunities and experimentation with potential responses to changing environmental trends. He suggests that it is manifested in three key ways: (1) seeking new opportunities that may or may not be related to the present line of operations; (2) introducing new products and brands ahead of competition; and (3) strategically eliminating operations that are in the mature or declining stages of the life cycle.

Proactive behavior has also been viewed as one's disposition to take actions to influence one's environment (Bateman & Crant, 1993). This perspective holds that the behavior of people is both internally and externally controlled, and that situations are as much a function of individuals as individuals are themselves functions of their environment. As Buss (1987) suggests, people are not "passive recipients of environmental pressures"; they influence their own environments. This approach to proactiveness is one which fits very well with the ideals of corporate entrepreneurship—namely, that people can intentionally and directly influence their organizations to enact change in their current circumstances, including aspects of their work environment.

Further, proactive organizations can seek to influence and change their environment rather than responding to their environment out of necessity or survival. Jauch and Glueck (1980) define a proactive strategy as "one in which strategists act before they are forced to react to environmental threats and opportunities." While proactiveness can be resource intensive due to the costs of monitoring cus-

tomers and competitors, scanning markets and technologies, and lobbying, such proactiveness aids significantly in maintaining competitiveness (Sandberg, 2002). These types of proactive firm-level behaviors include identifying opportunities, challenging the status quo, and creating favorable conditions. We expect entrepreneurial firms to find increased opportunities for innovation through exhibiting proactiveness on social issues. Internally, innovative HR programs that recruit and reward the ingenuity of employees are likely to lead to the creation of new products as these forward thinking employees enact new solutions to existing problems. By staying abreast on the latest sustainable materials, technologies, and practices, it will build an expansive network of experts for triggering new business ideas and strategies. We therefore propose:

Hypothesis 2A. Proactiveness on HR issues is positively associated with externally directed innovation.

Hypothesis 2B. Proactiveness on Community/Environmental issues is positively related to externally directed innovation.

We also posit that externally directed innovation predicts internally directed innovation and not the other way around. The external innovation construct is focused directly upon goods and services customers may want or require and/or innovations that can be used to thwart various efforts by competitors. That is, they are customer and/or competitor focused; involving innovative activities that directly affect customers and/or competitors. It may be argued that such innovations are the most important since they affect customers directly. In order to implement such external innovations and deliver the associated goods and services, it may be necessary to make innovative internal changes. These could be known as internal innovations and the genesis of many of them, as described above, may be driven or made necessary by external innovations. Although this may seem counterintuitive, we believe this relationship is a salient point of interest for this paper. Once an opportunity in the market is identified, managers must then adapt their units internally to achieve the new entrepreneurial goal. In other words, the external innovation instructs what internal adjustments must be made in processes and technological adaptions. For example, consider the invention of the iPhone by Apple. Once the market opportunity was identified and the product design established, Steve Jobs and Tim Cook modified the supply chain of the company to source the materials and manufacturing required to produce it. These internal company changes eventually became a source of competitive advantage for the company, allowing

it to scale production, deliver record sales in the product category, and attain a market cap of $876 billion (Merchant, 2017). We therefore propose:

Hypothesis 3. Externally directed innovation is positively related to internally directed innovation.

Method

Procedure

The data utilized for this study was part of a larger research effort aimed at examining corporate entrepreneurship issues. Initially, we used a sample of 310 managers from different organizations participating in executive education programs conducted by a large Midwestern public university that focused on general management development. Because of the high response rate (approximately 80%), no tests for non-respondent biases or self-selection into/out of the sample were conducted. No incentives were given for survey completion. We believe that this sample is highly appropriate for our study because the managers were at a senior level, there was a wide range of companies and industries represented, and we had a good opportunity for a high response rate. This follows Hayton's (2005) study of first line managers and Hornsby, Kuratko and Zahra's (2002) study described earlier.

Senior level managers were selected based on Floyd and Lane's (2000) contention that senior level managers have ratifying, recognizing, and directing roles in strategy implementation. Furthermore, this level of manager was chosen because they were in positions likely to influence stakeholder relationships and to make decisions regarding innovation activity within their companies (Delgado-Ceballos, Aragon-Correa, Ortiz-de-Mandojana, & Rueda-Manzanares, 2012). Senior managers essentially operate as entrepreneurs of their own businesses inside the larger organization, often being held accountable to the results of their units as if they owned them. Eleven surveys were discarded due to missing data, resulting in a usable sample size of 299 respondents. Nine respondents who identified themselves as professional or "other" with no managerial responsibilities were removed. Only those participants who identified themselves as senior-level management were retained for analysis resulting in a research sample of 290 respondents. Since we developed some of the scales used in this study, we randomly split the overall sample of 290 respondents into two subsamples; one of 90 respondents and another of 200 respondents. The 90 observation data set was used to test and, in some cases, help us develop our scales. The 200 observation data set was used to test our hypotheses.

Measures

Salience. Stockholder, employee, and customer salience were each measured by one item using the measure developed by Agle et al. (1999). Tests for construct validity of these measures were demonstrated by prior research. Although the scales for salience were single item measures, we did not assume that they were measured without error. Since we had no reliable estimates for these measurement errors, we assigned to each single item factor the average errors of the multiple item factors as calculated using their coefficient alphas and standard deviations (Jöreskog & Sörbom, 1993). The instruction for the items was, "Using the following descriptions, please circle the number in the boxes following each statement that corresponds most closely to your observations." Thus, for example, the statement used to measure stockholder salience was, "Stockholders are highly salient to our organization (definition: receive high priority from our management team)." The response choices for salience were 1 = strongly disagree; 2 = disagree; 3 = slightly disagree; 4 = neither agree nor disagree; 5 = slightly agree; 6 = agree; 7 = strongly agree.

Proactiveness. To measure proactiveness we used the Social Proactiveness Scale, which was developed by us based upon Clarkson's (1991) research. As mentioned earlier Clarkson did not survey members of the organizations he studied to measure proactiveness; rather he examined published materials about them. For our purposes we believe that a self-report survey instrument is the better way to go. First, we were more interested in behavior than in labels that could be applied. We see this as a possible limitation of Clarkson's data source. Second, we believe that the survey methodology would be more accurate since the respondents were senior management and we received responses directly from them rather than information that has been filtered and prepped for a non-anonymous public forum. Third, the survey method was more fine grained and faster. Fourth, we also believe that this approach allows respondents to more candidly and accurately assess and rate their organizations on the specific dimensions germane to our research. Fifth, and finally, with the survey method it is possible to measure variables on a large sample of firms concurrently.

Based upon Clarkson's work, we developed 14 items designed to score organizations on social proactiveness. We submitted these to an exploratory factor analysis (EFA) and extracted two primary factors measured by 8 items. Based upon their content we labeled them Human Resource Ethics and Community/Environmental Ethics. The HR Ethics factor addressed internal issues related to employees (equal treatment of employees, employee empowerment, legal/

ethical problems, code of conduct/ethics, and diversity). The Community/Environmental Ethics factor addressed external issues such as environmental policies and community groups. The items were scored on a five point scale (1 = no involvement, 2 = little involvement, 3 = moderately involved, 4 = very involved, 5 = completely involved). The factors made methodological and theoretical sense. Table 1 shows the final items for the proactive variables.

Innovation. Innovation was measured by asking the respondents to rate the importance of several dimensions of innovation as they pertained to the development, delivery, and application of new products, services, and processes. The scale was scored on a one to seven scale with 1 being "not important at all" and 7 being "extremely important." Table 2 shows the final items for innovation and the response choices. By asking respondents how important they

Table 1
Social proactiveness scale
Please indicate the degree to which your company is involved with the following items.

	No Involvement		Moderately Involved		Extremely Involved
HR Ethics	1	2	3	4	5
Equal treatment of employees	1	2	3	4	5
Employee empowerment	1	2	3	4	5
Legal/ethical problems	1	2	3	4	5
Code of conduct/ethics	1	2	3	4	5
Valuing diversity	1	2	3	4	5
Community/Environmental Ethics					
External environmental policies	1	2	3	4	5
Community relations	1	2	3	4	5
Employee involvement in community groups and functions	1	2	3	4	5

deemed new products, services, and processes that are developed each year, this scale holds a number of advantages over other scales that ask for the specific number of innovations developed. First, we contend that it may be difficult for managers to accurately assess the actual number of new products, services, and processes developed, particularly in large companies. However, they will have a good sense of the attention and importance that the company places on innovation. Second, such cardinal number counts are difficult to standardize across companies of different sizes and in different industries. Third, cardinal number counts may belie the actual importance a company places on innovation. Hence, we believe that the items of the Importance of Innovation Scale captures a company's overall approach to new product, service, and process innovation and thereby accurately reflects the definition of our construct.

Results

Construct Validation

We employed the split sample method to test our scales for evidence of discriminant and convergent validity. We selected at random 90 observations from our final usable sample of 290. We then subjected the 8 "importance of in-

novation" items and the 14 "social proactiveness" items to an exploratory factor analysis (EFA). We subsequently retained 16 items representing the 4 latent factors. Six of the initial "social proactiveness" items cross-loaded or failed to load on any factor and, consequently, being uninterpretable, were dropped from further analysis. Table 3 shows all of the remaining items that were used in hypothesis testing as well as their factor loadings.

Confirmatory Factor Analysis (CFA)

Having settled on the manifest indicators for our latent variables, our "set aside" data set of 200 observations was used for all subsequent analyses by using LISREL 9.2.

Prior to testing our hypotheses, we performed a CFA on the 19 items used to measure our constructs (see Table 3). As shown, the hypothesized measurement model fit the data well (c^2 (N = 200), = 290.47, df = 134; root mean square error of approximation (RMSEA) = .075; comparative fit index (CFI) = .95; Tucker-Lewis Index (TLI) = .94; standardized root mean square residual (SRMR) = .060). The descriptive statistics for our scales, along with their inter-correlations and reliability coefficient alphas are reported in Table 4.

Against this base line model, we tested two alternative

Table 2
Importance of innovation scale
Please indicate the degree of importance your company attaches to each of the following performance criteria by circling the appropriate number.

Innovation Performance Criteria	Not at all Important			Moderately Important			Extremely Important
Externally Oriented Innovation							
Number of new products or services developed	1	2	3	4	5	6	7
Number of new products or services brought to market	1	2	3	4	5	6	7
Speed with which new products or services are developed	1	2	3	4	5	6	7
Speed with which new products or services are brought to market	1	2	3	4	5	6	7
Internally Oriented Innovation							
Ability to respond quickly to market or technological developments	1	2	3	4	5	6	7
Ability to pre-empt competitors in responding to market or technological developments	1	2	3	4	5	6	7
Incorporation of technological innovations into product/ service offerings	1	2	3	4	5	6	7
Incorporation of technological innovations into internal operations	1	2	3	4	5	6	7

models. In Model 2, we tested the possibility that our instrument could not differentiate between internal and external proactiveness. Hence, we allowed all proactiveness items to load onto a single factor. The χ^2 difference test (Bollen, 1989) was used to compare this model with the hypothesized one. The results ($\Delta\chi^2$ (N = 200) = 17.02, df = 6) were significant, demonstrating that the hypothesized model fit the data better than the alternative one. We also tested the possibility that our instrument could not differentiate between internal and external innovation. To do so we allowed all innovation items to load on a single factor and applied the $\Delta\chi^2$ test ($\Delta\chi^2$ (N = 200) = 194.62, df = 6). Again the hypothesized model fit the data better than the alternative. As summarized in Table 5, the baseline model proved to be a better representation of the data than either of the alternative models. Hence, we concluded that our hypothesized model was preferred and appropriate for hypothesis testing.

Hypotheses Testing

We estimated the hypothesized structural model shown in Figure 1. The model fit the data well (c^2 (N = 200) = 296.24, df = 142; RMSEA = .073, CFI = .95; TLI = .94; SRMR = .065). See Figure 2.

Support for the hypotheses were determined by the significance or non-significance of the associated path. Based upon the criterion, Hypotheses 1a, 1c, and 1d were supported, but H1b, H1e, and H1f were not. Hypothesis 2a was supported by the data, but Hypothesis 2b was not. Hypothesis 3 was supported. We were somewhat surprised that customer salience was not significantly associated with either form of proactiveness. However, a further and closer examination of the data led us to what we believe is a reasonable explanation of this outcome. A frequency table and distribution analysis for the customer salience variable revealed that over 80% of the responses were concentrated in the 'agree' or 'strongly agree' choices. Hence, there was very little variance available in the customer salience variable to form a statistically significant relationship with other variables, certainly not the proactive variables. For customers to be given consistently high salience across the board should not surprise us. In fact, it may be considered more of a surprise if it was not this way. That is, customer salience must be high and remain high for the organization to continue to exist. In other words, customer salience will behave more like a (high scoring) constant and not covary with much of anything. An important implication of this finding is that if researchers wish to uncover independent variables associated with innovation or other organizationally valued outcomes, then they will likely have to look elsewhere besides customer salience. On the other hand, future researchers may want to conduct longitudinal studies on organizations whose customer salience varies over time. It may be that over time those organizations with low customer salience may tend to fall by the wayside and, therefore, be unlikely to be represented in a survey population of this type.

Table 3
Scale items and factor loadings

Salience	
Salient: Stockholders	.98
Salient: Employees	.96
Salient: Customers	.96
HR Ethics	
Equal treatment of employees	.71
Employee empowerment	.67
Legal/ethical problems	.71
Code of conduct/ethics	.88
Valuing diversity	.74
Community / Environmental Ethics	
External environmental policies	.58
Community relations	.45
Employee involvement in community groups and functions	.63
Externally Oriented Innovation	
Importance: number of new products or services developed	.66
Importance: number of new products or services brought to market	.66
Importance: speed with which new products or services are developed	.87
Importance: speed with which new products or services are brought to market	.80
Internally Oriented Innovation	
Importance: ability to respond quickly to market or technological developments	.84
Importance: ability to pre-empt competitors in responding to market or technological developments	.93
Importance: incorporation of technological innovations into product/service offerings	.90
Importance: incorporation of technological innovations into internal operations	.82

Discussion and Implications

Innovation is one of the key organizational outcomes associated with corporate entrepreneurship and competitiveness. Therefore, research that uncovers factors that influence innovation is very pertinent to entrepreneurship research. This paper examined the relationships between three types of stakeholder salience (stockholders, employees, and customers) and social proactiveness, as well as the relationship between social proactiveness and innovation. We posited that maintaining positive stakeholder relationships leads to more proactiveness with regard to social issues. Our reasoning is that adopting a proactive posture leads to a firm taking more risks and being more entrepreneurial. Our findings, however, were mixed.

Our results suggest that companies that focus on employees tend to be more proactive with regards to internal and external social issues. This in itself is not too surprising, because firms that treat their employees well have an orientation that would lead to social responsiveness in other domains in society; i.e., the company does not focus on the bottom line over the wellbeing of its employees and the community. Given this statement, it may not be overly surprising that placing salience on stockholders did not lead to socially proactive behavior with regard to the community and external environment. This is consistent with many business ethicists' views on the relationship between stockholder salience and corporate social performance. However, one might expect to find a relationship between placing priority on customer salience and Community/Environmental ethics, but this was not supported by the data. Perhaps these findings support the Southwest Airlines approach to business. Companies that take care of their employees tend to meet internal and external expectations well.

We hypothesized that companies that are more proactive with regards to social issues may adapt a posture that leads to more innovation. Since corporate social responsi-

Table 4
Means, standard deviations, coefficient alphas, and correlations

Construct	Means	SD	1	2	3	4	5	6	7
Salient: Stockholders	5.13	1.82	n/a						
Salient: Employees	5.41	1.16	.23**	n/a					
Salient: Customers	6.05	1.09	.19*	.52***	n/a				
HR ethics	5.36	1.15	.27***	.38***	.24**	(.86)			
Community environment	4.63	1.73	.11	.24**	.16*	.42***	(.73)		
Externally oriented innovation	5.19	1.08	.15	.03	.03	.31***	.14	(.93)	
Internally oriented innovation	4.29	1.45	.07	-.01	-.03	.20**	.14*	.52***	(.83)

Coefficient Alphas are on the diagonal.
* p <.05, ** p <.01, *** p <.001.

Table 5
Comparison of measurement models

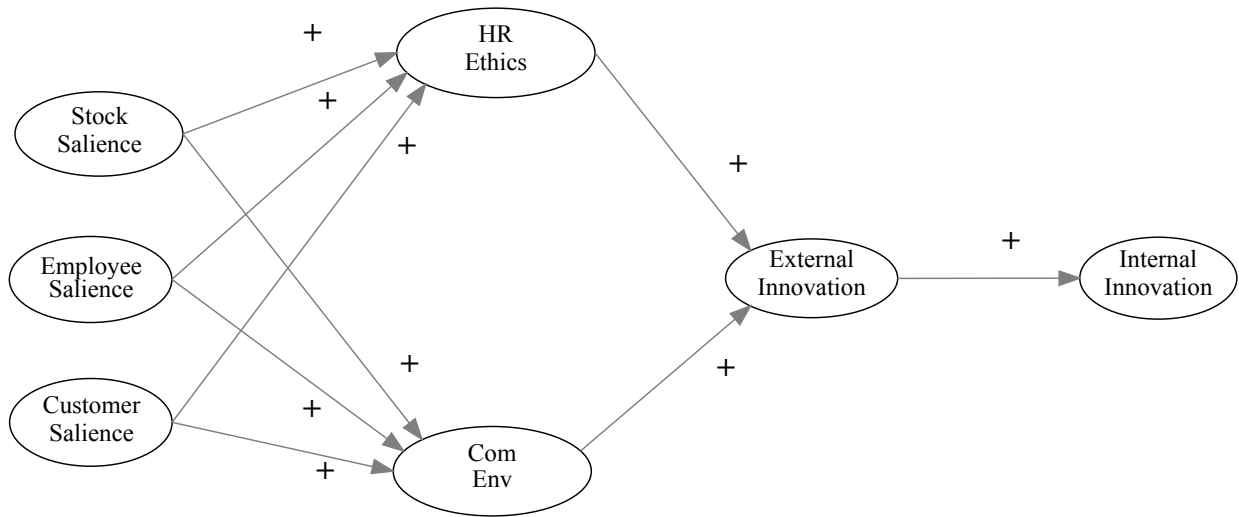| Model	c^2	df	Dc^2	Δ df	RMSEA	CFI	NNFI	SRMR
Model 1: Hypothesized (baseline) Model	290.47	134	n/a	n/a	.075	.95	.94	.060
Model 2: Social Proactive Model	307.49	140	17.02**	6	.077	.95	.93	.062
Model 3: Innovation Model	485.09	140	194.62**	6	.116	.89	.86	.089

** $p < .01$
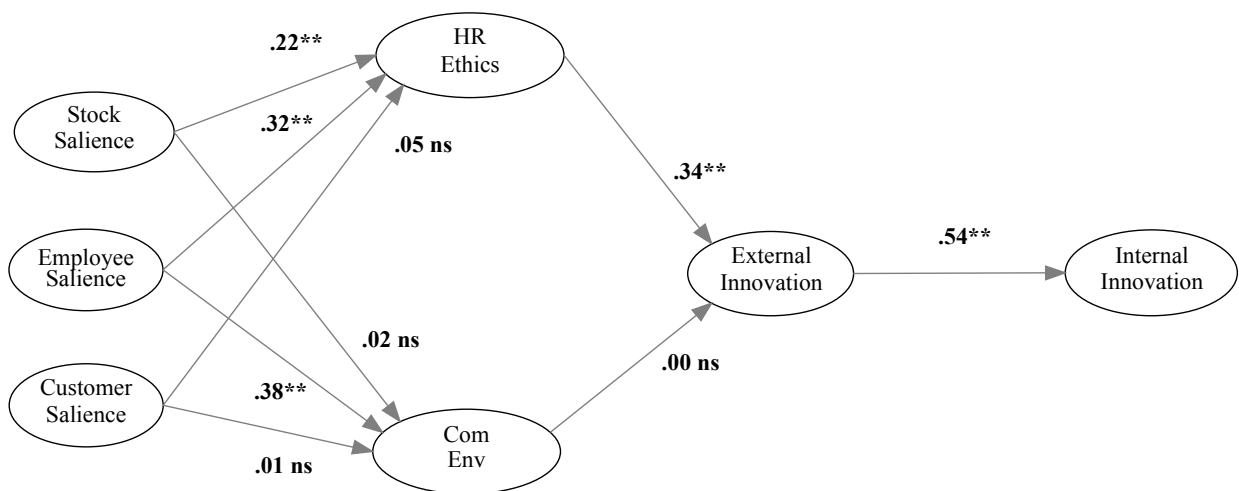

Figure 1. Hypothesized Model

Figure 2. Standardized Coefficients
χ^2 (N = 200) = 296.24, df = 142, RMSEA = .073, CFI = .95, TLI = .94, SRMR = .065

bility is often a discretionary decision, we argued that firms that deal in an open and creative fashion in those domains may approach opportunities and problems in a more proactive way and thus be more innovative. Additionally, social issues may provide avenues for business opportunities as well. For example, the green movement is ripe with business opportunity according to current business thought. However, our data suggests that proactiveness in internal social issues (i.e., HR ethics) leads to innovation, but external social issues do not influence it. This finding does not warrant evading community and environmental ethics (i.e., Community/Environmental ethics), since innovation is only one performance outcome for a company. However, if a company is looking for sources of new business opportunity, it may find internal social issues a better avenue for innovation.

But perhaps most importantly, the results of the study offer interesting insights into the impact of stakeholder management on innovative activity. While researchers have proposed the link between stakeholder management on entrepreneurship, no empirical research has examined this link. This study's findings suggest that making employees a priority leads to a more proactive approach to HR and community/environmental issues. A somewhat surprising, but potentially intriguing, finding was that proactive HR management leads to more focus on externally directed innovation, but that there was not a link between proactive community/environmental ethics and externally directed innovation. Research on corporate entrepreneurship, such as Kuratko, Ireland, Covin, and Hornsby (2005) and Hornsby, Kuratko, Shepherd, and Bott (2009), that focuses on the internal environment as a source of innovation seems to support our findings. Our findings indicate the importance of placing salience on employees as a major stakeholder in the company's entrepreneurial strategy. Companies that do so will tend to be more ethical in HR practices, which creates a supportive environment for employees to share their ideas for improving organizational competitiveness in the marketplace. Additionally, our findings indicate that once market opportunities are identified, companies that place salience on their employees and operate in an ethically proactive way with regard to HR practices are then able to make needed internal changes to capitalize on new external innovations. Research on social exchange theory supports this finding, suggesting that employees will match commitment toward their organization based on the level of support their employing organizations have for them, referred to as perceived organizational support (POS) (Bishop, Scott, Goldsby, & Cropanzano, 2005; Eisenberger, Huntington, Hutchison, & Sowa, 1986). We can imagine that

with regard to innovation, organizations that place salience on employees would create a supportive environment for generating new market ideas, and, in turn, employees would be more amenable to making the needed changes inside the company to deliver on the opportunities (Senge, 2006; Schein, 2010). Again, although our findings did not show a significant relationship between community/environmental ethics and external innovation, it must be kept in mind that there are other performance measures such as profit, market share, and growth where it may play a role, especially with regard to reputational issues. However, the results do indicate that if a company seeks to be more innovative, it should strongly consider the interests of its employees in its strategy and operations.

One of the primary contributions of our study is the development of two new measures that can be employed in future organizational research. We modified Clarkson's (1991) measure to develop a new *Social Proactiveness Scale*, and we also developed an eight item *Importance of Innovation Scale* to measure perceived innovation activity in the responding companies. The *Social Proactiveness Scale* provides a reliable and valid measure that can be utilized in future entrepreneurship and business ethics research. This scale offers researchers a valid measure in assessing the proclivity of organizations to draw upon social issues when making strategic decisions, and thus we believe that future entrepreneurship research efforts would be wise to account for the influence of such effects. Further, there is a great need for valid measures in innovation research, and such measures can be gainfully used to further the inferences drawn from future studies related to innovation and its many positive outcomes. Scales such as Entrepreneurial Orientation (Covin & Slevin, 1989), Entrepreneurial Intensity (Ireland, Kuratko, & Morris, 2006), and the Corporate Entrepreneurship Assessment Instrument (Hornsby et al., 2002; Kuratko, Hornsby & Covin, 2014) have helped to increase the importance of understanding the role of antecedents, elements, and outcomes when implementing innovation as a strategic initiative. The results of the current study offer continued evidence related to the importance of such initiatives.

In this regard, our study prompts several directions for future research. First, we examined the influence of social proactiveness on innovation performance. There may be other non-financial performance metrics that are also worthwhile for organizations to pursue. Future studies should examine such outcomes. For example, the influence of social proactiveness on organizational learning would be an interesting area to examine. Second, we used survey data to test our hypotheses. Studies using objective data to test

the relationship between stakeholder salience, social proactiveness, and innovation performance would help to provide stronger generalizability to our primary findings. Third, we acknowledge that the influence of social proactiveness on innovation performance may strengthen over time. Future research using longitudinal data would provide more robust evidence of the findings discussed in this research. Our study is intended to serve the entrepreneurship field in examining whether proactiveness toward internal and external social issues affects innovation, and also to offer guidance on how corporate entrepreneurs can find new sources for creating products, services, and processes.

Many companies today are expecting senior managers to behave more like owners of their own small businesses inside a larger organization. For example, the Magic Kingdom theme park inside Walt Disney World restructured the responsibilities of its general managers to be in charge of the attractions, food and beverage, and merchandise within the geographic area they supervise. Previously attractions, food beverage, and merchandise had their own respective general managers, but, with the restructuring, responsibilities in these areas are now more localized. Essentially the five areas of the theme park are assessed as individual business units with a bottom line assessed to each general manager. The goal of the restructuring was to spur more entrepreneurial behavior inside the Parks and Resorts division with general managers viewing their company roles as small business owners of their own "land" (Fantasyland, Tomorrowland, Adventureland, Frontierland, or Liberty Square) rather than as generic managers within the larger corporation (Pedicini, 2016). As business becomes increasingly competitive and dynamic with the advent of new technologies and developing markets, we can expect more corporations to operate with this outlook (Kuratko, Hornsby, & Hayton, 2015). While this study does not provide unequivocal evidence to focus on internal social issues as sources of innovation, it does provide a starting point for future researchers to empirically test the nature of stakeholder relationships, social issues, and innovative activity.

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